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Korea, Republic of Agricultural Situation

Korean Market Highlights - October 2002 2002

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Report Highlights: The Korean economy is expected to grow about 6.0 percent in 2002, making it East Asia's second-fastest growing economy after China. Total agricultural imports are up 9.4 percent compared to this same time last year; however, imports from the U.S. are flat. The decrease in imports of bulk products, intermediate products and forest products was fairly evenly balanced by increases in consumer-oriented, fish and seafood products.

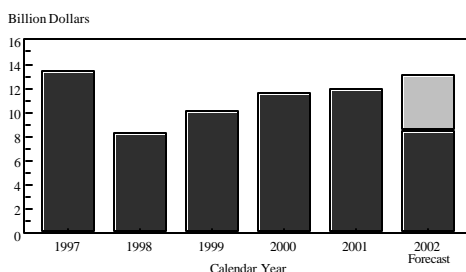
Includes PSD changes: No
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Unscheduled Report
Seoul ATO [KS2], KS

A. Economic and Market Update

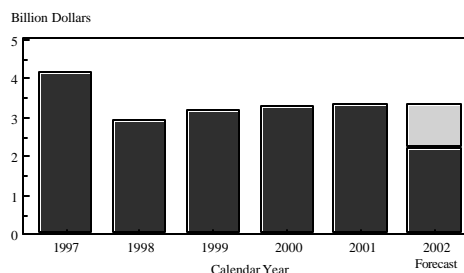
The Korean economy is expected to grow about 6.0 percent in 2002, making it East Asia's second-fastest growing economy after China. Korean consumers still were spending at a rapid clip in September 2002, although some analysts were warning of a possible bubble in the consumer credit and/or property market. Although inflation remained subdued at 2.4 percent, helped by the Korean won's appreciation against the dollar during the first seven months of 2002, both trends showed signs of reversing in September 2002. During 2002 through August 30 the average value of the Korean currency, the won (KRW), was KRW 1,200 won per dollar.

Interest rates remained relatively low (the three-year corporate bond rate was 6.23 percent in August). Low unemployment (2.9 percent in August) reflected strong job creation and enough job security to continue to fuel consumer spending. Korea's useable foreign currency reserves grew to over \$116 billion by September 2002, significantly reducing Korea's vulnerability to a repeat of the 1997-98 financial crisis, when Korea nearly exhausted its foreign exchange reserves. Nonetheless, Korea's trade surplus continues to narrow, as exports have decreased faster than imports. The Korean government has revised its trade surplus estimate for 2002 to \$8 billion, down from its previous

Total Korean Agricultural Imports

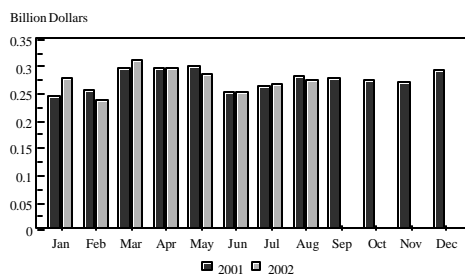


Total Korean Agricultural Imports from the United States

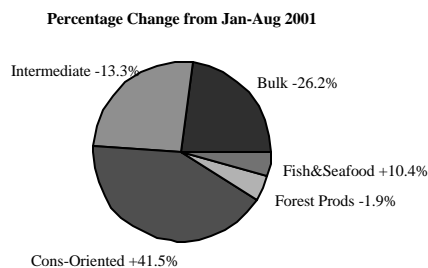


The United States is Korea's leading trading partner, taking 20.3 percent of Korea's exports and providing 15.6 percent of Korea's imports for the first eight months of 2002. Total agricultural imports for the first eight months of 2002 reached \$8.5 billion, an increase of 9.4 percent over the first eight months of last year. Imports of agricultural products from the United States were up less than one percent from last year at \$2.2 billion through August; however, consumer-oriented agricultural products

Total Korean Agricultural Imports from the United States by Month



Total Korean Agricultural Imports from the United States by Sector



showed a 41.5 percent increase. Frozen beef products

products represent almost 40 percent of the consumer-oriented category and imports of U.S. frozen beef increased 107 percent compared to the first eight months of last year. Other products with large year-on-year increases include edible offals (77%), frozen whole fish (42%), hay and fodder (37%), logs (15%), citrus fruit (10%), and soybeans (5%).

B. Coming Events

The Wine Institute's Visit to Seoul, October 31-November 1, 2002 - A total of 25 California wineries are visiting Seoul as part of their Asian Tour 2002 and will host a trade tasting and seminar on November 1 in the Grand Ballroom of the Westin Chosun Hotel. ATO Seoul has provided assistance to the group including venue selection, visitor invitation, and public relations.

WUSATA Buying Mission, November 3-10, 2002 - Five major foodservice companies from Korea will be travelling to the western region of the U.S. in order to evaluate the feasibility of U.S. products and suppliers for the Korean market.

Private Label Buying Mission, November 16, 2002 - A major local retail store chain will join this mission which is sponsored by MIATCO. International retail chains, such as Wal-Mart and Costco, have significant private label food products already on their shelves, but local retail chains have little

knowledge about the potential and suppliers of "imported" private label food products. This mission will introduce a variety of U.S. PB food products to the Korean retail chains who are expected to pursue an imported PB food line in the future. For more information, please contact Mr. Oh (ohs@fas.usda.gov) in our office.

Food Export USA Buying Mission, January 6-18, 2003 - One company from Korea will join this mission to explore possible imports from the Northeast region of the United States. For more information, please contact Mrs. Oh (ohy@fas.usda.gov) in our office.

Winter Fancy Food Show and Consumer-Ready Buying Mission, January, 2003 - ATO Seoul will sponsor eight Korean importers to visit several U.S. states and view their products in conjunction with the Winter Fancy Food Show in San Francisco. For more information, please contact Mr. Kim (kimsw@fas.usda.gov) if you have an interest in seeing this group.

Food and Hotel Korea 2003 - FAS will endorse the Food and Hotel Korea 2003 Exhibition, to be held next March 18-20 at the SETEC convention center in Seoul. This is the first "trade only" international food exhibition in Korea, and ATO Seoul is excited about promoting this show to U.S. exhibitors. ATO Seoul will help with the organization of the U.S. Pavilion in place of the Great American Food Show or U.S. Food Showcases that we have organized in the past.

For more information, please contact Mr. Oh, Sang Yong (ohs@fas.usda.gov) in our office, or the FAS Trade Show Office in Washington, or the U.S. representative of the Show organizer, Mr. Bob Chang at (1-414) 433-2820 (comtours@aol.com) to reserve a booth.

C. Selected Hot Topics

Organic Mini-Seminar, November/December, 2002 - Korean importers want to know more about U.S. organic products. ATO Seoul would like to sponsor a U.S. speaker to come to Seoul and present a seminar. Several large local food manufacturing companies are interested in creating lines of organic products and at least one company already specializes in this type of food. For more information, please contact Mrs. Oh, Young Sook (ohy@fas.usda.gov) in our office.

D. Past Events

Ocala, Florida Auction Buyers Mission, October 5-12, 2002 - ATO in conjunction with the Korean Thoroughbred Breeders Association and the Florida State Department of Agriculture sponsored a buying mission to the Ocala Auction for 10 Korean buyers.

Visit by MIATCO and Food Export USA, September 23-24, 2002 - Representatives from the mid-west and northeast region of the United States came to Seoul to learn more about the Korean market. ATO Seoul organized a tour consisting of a wet market, hypermarket, department stores, organic grocery store, and the Korea Tourist Supply Center.

Alaska Seafood Menu Promotion at Grand Intercontinental, Seoul, June 8-30, 2002 (KS2040)

- This promotion provided both the general public and the food service trade with important information about the quality, availability and applicability of Alaska seafood.

D. Reports Published in Past Three Months

Seafood Buying Mission/Boston Seafood Show, October 4, 2002 (KS2049) - The Korean Seafood Buying Mission sponsored by ATO Seoul in March 2002 has brought confirmed sales of \$1.67 million in the first six months following the activity. An additional \$2.75 million in purchases over the next six months is expected. At these levels, the activity will reach the expected result of \$4 million in sales over 12 months.

Annual Seafood Report, September 30, 2002 (KS2047) - The decrease in the Alaska pollack catch from the Russian quota, the lower domestic production due to overfishing, and the government's decision to reduce the Korean fishing fleet will result in sharply increased seafood imports in 2002.

HRI Food Service Sector Market Brief, September 5, 2002 (KS2041) - The expansion of incorporated chain restaurant businesses and consumers' ever strong demand for new and international tastes, quick service and quality foods have fueled a rapid growth and diversification of the food service sector in recent years.

Korean Market for American Croaker, September 4, 2002 (KS2039) - Our market research indicates that the local market deems the American Croaker to be significantly different in taste than the local product. The reduction of the tariff rate (currently 70%) would have a greater benefit to competing countries.

Fresh Fruits and Vegetables - Update, August 20, 2002 (KS2035) - Korean imports of U.S. fresh fruits and vegetables are expected to reach another record in 2002, after surpassing \$84 million in 2001. Most of the U.S. sales